J, an individual, acquired 10 shares of Class A stock of Corporation X on Date 1 for $3 each and 10 shares of Class B stock of Corporation X on Date 2 for $9 each. On Date 3, Corporation Y acquires the assets of Corporation X in a reorganization under section 368(a)(1)(A). Pursuant to the terms of the plan of reorganization, J receives 10 shares of Corporation Y in exchange for J's shares of Class A stock of Corporation X and $100 of cash in exchange for J's shares of Class B stock of Corporation X. On the date of the exchange, the fair market value of each share of Class A stock of Corporation X is $10, and the fair market value of each share of Class B stock of Corporation X is $10.

Because the terms of the exchange specify that J receives 10 shares of stock of Corporation Y in exchange for J's shares of Class A stock of Corporation X and $100 of cash in exchange for J's shares of Class B stock of Corporation X and such terms are economically reasonable, such terms control. J realizes a gain of $70 on the exchange of shares of Class A stock, none of which is recognized, and J realizes a gain of $10 on the exchange of shares of Class B stock of Corporation X, all of which is recognized.